



State of Utah

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Lieutenant Governor

Department of
Environmental Quality

Amanda Smith
Executive Director

DIVISION OF WATER QUALITY
Walter L. Baker, P.E.
Director

C/007/041 Incoming
C/015/032

MAY 30 2014

CERTIFIED MAIL
(Return Receipt Requested)

Mr. David Hibbs, President
UtahAmerican Energy, Inc.
794 N. "C" Canyon Road
P.O. Box 910
East Carbon, UT 84520

Dear Mr. Hibbs:

Subject: Salinity-Offset Program Funding Agreement for UPDES Permit Numbers
UT00224368-Crandall Canyon Mine; and UT0025640-West Ridge Mine

Attached please find your copy of the fully executed Salinity-Offset Program Funding Agreement for the above referenced UPDES permits. As you are aware, the "UtahAmerican Energy, Inc." (UEI) mine facilities, as referenced above by their respective UPDES Permits, are required to participate in and/or fund a salinity-offset program to compensate for the amount of salinity discharged from each facility which is above the one-ton/day permit limits.

A plan for the two mine facilities to fund a salinity-offset program was drafted by UEI and submitted to the Division of Water Quality (DWQ) in early 2014 and subsequently finalized by April 2014. The plan, titled "Colorado River Salinity Offset Program Participation Plan", which is attached as "Exhibit A" to the Salinity-Offset Program Funding Agreement, was approved by DWQ and will be appended to each of the UPDES permits referenced above to be effective May 1, 2014.

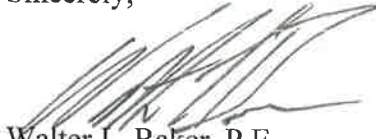
With the Salinity-Offset Program Funding Agreement now finalized, the first payment of \$39,228.80, which was due by June 15, 2014 has already been received by DWQ as of May 9, 2014. A separate invoice had been prepared and sent to you previously for your records.

DWQ expects subsequent payments from UEI to be made in accordance with the payment schedule as outlined in paragraph 2 of the Funding Agreement.

RECEIVED
JUN 02 2014
DIV. OF OIL, GAS & MINING

Your continued efforts to remain in compliance with the provisions of your UPDES permits are appreciated. If you have any questions, please contact Jeff Studenka of this office at (801) 536-4395, or by e-mail at jstudenka@utah.gov.

Sincerely,



Walter L. Baker, P.E.
Director

WLB: JAS: pe

Enclosure (1): Funding Agreement

cc (w/o encl.): Amy Clark, EPA Region VIII
Laura Lockhart, Utah Office of Attorney General
Claron Bjork, SE Utah District Health Department
Dave Ariotti, DEQ District Engineer
Steve Christensen, DOGM
Mark Quilter, UDAF
Mike Herkimer, DWQ
Robert King, Division of Water Resources
Don Barnett, Colorado River Basin Salinity Control Forum

DWQ-2014-006698